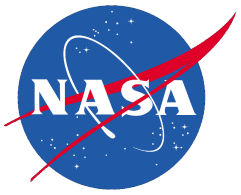
National Aeronautics and Space Administration



NASA Case Study

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Mechanical Systems Engineering Support Contract Re-Compete

Mike Ryschkewitsch, Deputy Director of the Goddard Space Flight Center, reflected on the events of almost one year earlier. Back on October 15, 2004, while Mike was still the Director of Engineering at the Goddard Space Flight Center, he had met with Ken Hinkle, the Head of the Mechanical Systems Division (Code 540). The get-together was to discuss how to approach the upcoming re-compete for the Mechanical Systems Engineering Support contract (MSES). While going over the details of the MSES contract, Mike recalled that Chris Scolese, the Deputy Center Director at the time, had commented to him that no contractors had been inquiring about the upcoming competition. Getting no calls led Mike and Chris to believe that other companies didn't think they could possibly win against the incumbent Swales Aerospace. Therefore they were probably not planning to offer a proposal. Goddard was faced with the possibility of a no-compete for the re-compete. Mike commented:

> *It was fairly obvious that we were not going to have any serious competition. There was no activity around the contract–no one was testing the waters. The silence is what got our attention. It made us have a conversation we wouldn't have had otherwise.*

The MSES contract had last been awarded in 2000. Now early in the fall of 2005, it was set to expire in February of 2006. Swales had won this contract twice, and many of the technicians at Goddard knew no other name than Swales. "Get Swales in here" was equivalent to "get some engineers in here" when projects had mechanical engineering problems. Looking back on the situation that Goddard faced, Mike commented:

> *Some people at Goddard had come to refer to Swales as "Goddard West," like they were just another part of the center. There were some areas of technical expertise that we had handed over to Swales like mechanical design, where they basically had the center's knowledge in that area. Our procurement strategy was being influenced by policy choices*

> *made years ago with respect to workforce ceilings that limited our future technical support capability.*

Projects at Goddard had used Swales people for close to 25 years. Some of the Swales workers had core knowledge of systems, designs, and operations at Goddard. One project manager put it succinctly: "*We couldn't function without Swales*." Another was just as blunt: *"NASA will go through the motions, award a new contract [to Swales] and we'll keep on working."*

The problem appeared to be that, if it seemed that Swales was going to win the new contract anyway, other firms had no incentive to compete. Companies clearly did not want to waste bid and proposal money on a futile effort. Bidding on this contract could cost $2 million or more.

Goddard Space Flight Center typically has around 40 projects in play at any one time. Projects in a vulnerable phase in the schedule may feel especially susceptible to changes in engineering support. Mike, having been the Director of Engineering explained this issue:

> *The engineering directorate supplies the labor to execute our missions. Our engineers, whether civil servants or contractors, are matrixed into the projects. We have to supply a stable support team for vulnerable times in a project's life. We can't be pulling key engineers off a project in the middle of a mechanical design trade–there's too much specific knowledge tied up in that person, their experiences and thinking on that particular mission.*

One project manager's comment at the time was typical: *"If we lost the Swales people, our missions would not be able to continue. We are dependent on those people!"*

Orlando Figueroa had taken over as the Director of Engineering at Goddard when Mike became Deputy Director of the Center. Orlando was concerned about the risk of the government being "held hostage" by a single point of failure--with Goddard projects dependent on a single contractor's expertise, namely Swales. Mike and Orlando, both top-notch NASA engineers now in management roles, agreed that to get good solutions they would have to challenge some assumptions. After all, that was how good technical design decisions were made, so why not for making good decisions on procurement strategy as well? Orlando reflected on the risk of relying too much on one contractor:

> *Swales, like many service companies before them, had grown in size and had built facilities and a solid expertise base. Their workforce was very mature and seasoned. In the past we had seen companies move from services into spacecraft systems–like Orbital [Sciences] and Ball [Aerospace] had done. Right now some Swales contractors often accompanied Goddard civil servants on visits to prime contractor sites. Some of those companies were beginning to complain that we were bringing a competitor into their facilities. It could be that Swales was going to have to choose–and fairly soon–whether to be a service contractor or to become a space systems provider. If they moved on, where would that leave Goddard if there were no other companies to provide the support services? If we just do the same old thing now and no one competes, who will compete in five more years?*

Getting together with Val Burr, Goddard's Head of Procurement, Mike and Orlando began to ask more questions. What would it take to get other companies to make serious bids? Val discussed how she saw the role of procurement at the center:

> *The procurement office is a service group for the center. Clearly we enable the missions, because without the contracts the work wouldn't get done–more than 60% of our work is done by contractors here at the center. Everyone wants the mission to succeed, but we have to succeed at being a procuring agency also. We can't succeed in one area and fail in another. I try to tell my staff that our procurement work–which seems like government bureaucracy and paper pushing–is really mission-critical. If we screw up, it could cost millions of dollars in delays, or even contribute to the cause of a mission failure. Procurement is as important as anything else we do here at the center. At the end of the day, it all has to come together for a successful mission.*

The project and engineering groups were concerned about the way the recompete was being approached. There were the usual comments making the rounds: "procurement is making things unnecessarily complicated," and "why can't they just do like they did last time?"

The Goddard procurement office suggested splitting the work into two contracts, in order to encourage more competition. This and other ideas were discussed and debated, sometimes heatedly, at the Center. The Center Director, Ed Weiler, left it to his staff to work out the details, but he stated emphatically to those who came to see him: *"Whatever we do, it will be a level playing field."*

With the procurement dragging on, the Swales contract was extended. This pushed the potential changover into the vulnerable phases of some projects. It was decided to go ahead with two procurements for the MSES contract, named A and B. A was open to bidding for companies with up to 1000 employees, and B was limited to companies with less than 500 employees. MSES A included the full breadth of engineering discipline expertise to support the Mechanical Systems Division, including fabrication services, while MSES B included engineering discipline expertise only. The Goddard Procurement Office released both Requests for Proposals (RFPs) on March 9, 2006. Competition was guaranteed for at least procurement B, since Swales couldn't compete in that category. Already three companies had expressed interest in competing for the B contract, but no one had yet indicated they would bid against Swales on the A contract. This led one engineer to comment on the split contract: "They did that so there would be one for Swales and one for the competition."

On April 17, 2006, Goddard received two proposals for MSES II A: one from Swales, and one from Stinger Ghaffarian Technologies, Inc. (SGT). Goddard established the Source Evaluation Board (SEB), which met in a windowless basement room at Goddard for four months. On November 28, 2006, the Source Selection Authority (SSA) chose SGT for the MSES II-A Contract.

When the award was announced, the project and engineering communities at Goddard were shocked that someone other than Swales had won. And a pressing matter soon arose: on December 12, 2006, just four days after the contract was signed with SGT, Swales filed a protest about the contract award. To NASA, the protest was not unexpected, but it was a headache. First of all, many Swales employees that SGT might have hoped to hire over to the new contract suddenly got sticky feet. Weeks later, more than a month after the award, there was no clear end in sight. Swales was limping along on contract extensions, and the workers involved still had no idea of where the whole process would end up. By this time, Swales was also in negotiations to be sold to ATK, which further complicated the picture. Managers of Goddard projects, including the upcoming Hubble Servicing Mission (HSM-4) and the Express Logistics Carrier (ELC) (a platform for supporting Space Stations payloads), both scheduled on Shuttle flights, were now seriously worried. The contract dispute could turn into a long, drawn-out mess with significant effect on project continuity.

Cindy Tart, a procurement manager reflected on the protest period:

> *Protests are never fun for anyone, particularly for procurement. A good procurement—they say—is one with no protest. But protests are part of the whole system that keeps things open and keeps people honest. It's messy and can be stressful. At the same time, it's important to remember that these are business decisions. We at NASA take our work very seriously, and we work very closely with our contractor partners. So when Swales files a protest, it might be easy for someone to see a Swales employee and think that person has something against Goddard. But that's not the case at all. Many of the Swales employees at Goddard were remarkable and clear experts in their field and had no interest in the protest. The protest was a business decision and we had to respond in a business way.*

The ensuing long dispute process, and the inconclusiveness of the outcome, brought a lot of stress to the workforce at Goddard. Many Swales employees had worked alongside their government counterparts for years. Many had not only become trusted co-workers but friends. Who was a contractor and who was a civil servant was not as important as the work at hand. Yet the ordeal of the re-compete seemed to put some people into less-than-friendly camps. Some government people represented the government position. Some Swales employees represented Swales' position. What had been simply business was becoming more personal. People were also asking questions about their future, often questions that government managers could not answer because of legal concerns regarding the procurement. Many individuals felt caught as pawns in a chess game over which they had no control.

At the same time, Swales employees had to make a choice. Some took civil service jobs. Some stayed with Swales, swayed perhaps by the appeals from Swales management that a future with that company offered great opportunity. Some left Swales to work for SGT or another company. Where there had been tremendous camaraderie and trust, there was now in some cases tension, confusion, and even hostility. This was a cost to productivity that did not show up on the bottom line, but which was still on a lot of people's minds, especially those in critical projects.

Finally, the protest was resolved, and the official 30-day phase-in period began on April 14, 2007. SGT began making employment offers to Swales employees, while ATK announced that it was acquiring Swales for $100 million. On April 24, Swales filed a temporary restraining order (TRO) in the U.S. Court of Federal Claims to halt the implementation of the contract. Cindy Tart reflected back on dealing with attorneys involved with the TRO:

> *A lawyer from the DoJ [Department of Justice] came to help, and didn't have all the background to the story and all that we had been through. At first we thought we were probably going to be told to "roll over," and go with the flow on this TRO. But this lawyer listened to what was going on and he got it. He went into the courtroom and grabbed the judge's attention, arguing that delaying the start of the contract would cause "irreparable harm" to the government. The judge agreed—the TRO was denied. It was just business—it wasn't personal.*

However, Goddard now faced the challenge of making the transition to the new contract at a vulnerable time for HSM-4, ELC, and several other projects. What should be the lessons learned before the next major support contract re-compete?